

**Michigan Community College
Risk Management Authority**

**Financial Report
with Supplemental Information
June 30, 2007**

Michigan Community College Risk Management Authority

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Independent Auditor's Report

To the Board of Directors
Michigan Community College
Risk Management Authority

We have audited the accompanying financial statements of the Member General Fund, the Stop-loss Fund, and the total business-type activities of Michigan Community College Risk Management Authority (the "Authority") as of June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2006 financial statements and, in our report dated July 26, 2006, we expressed unqualified opinions on the respective financial statements of the Member General Fund, the Stop-loss Fund, and the total business-type activities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Member General Fund and the Stop-loss Fund of Michigan Community Risk Management Authority at June 30, 2007 and the results of their operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Michigan Community College Risk Management Authority's basic financial statements. The accompanying other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Directors
Michigan Community College
Risk Management Authority

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2006, from which such summarized information was derived.

Plante & Moran, PLLC

October 15, 2007

Michigan Community College Risk Management Authority

Management's Discussion and Analysis

As management of Michigan Community College Risk Management Authority (the "Authority"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the audited financial statements, which immediately follow this section.

Using this Annual Report

The Authority administers a risk management fund that provides members with loss protection for general and auto liability, motor vehicle physical damage, and property. The Authority functions primarily as a claims servicer for members and as a purchasing agent for the acquisition of reinsurance. This annual report consists of a series of financial statements. The statement of net assets and the statement of revenue, expenses, and changes in net assets provide information about the financial activities of the Authority. This is followed by the statement of cash flows, which presents detailed information about the changes in the Authority's cash position during the year.

Financial Overview

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and supplemental information.

The Authority's activity is maintained in two funds, the Member General Fund and the Stop-loss Fund. The basic financial statements, which follow this section, provide both long-term and short-term information about the Authority's financial status. These basic financial statements report information about the Authority using the accrual method of accounting, in accordance with accounting principles generally accepted in the United States of America. The three basic financial statements presented are as follows:

- **Statement of Net Assets** - This statement presents information reflecting the Authority's assets, liabilities, and fund net assets.
- **Statement of Revenue, Expenses, and Changes in Net Assets** - This statement reflects the operating and nonoperating revenue and expenses for the previous two fiscal years. Operating revenue consists of member contributions, with the major sources of operating expenses being claims and claims adjustment expenses, general and administrative expenses, and reinsurance costs. Nonoperating revenue consists primarily of investment income.
- **Statement of Cash Flows** - The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Michigan Community College Risk Management Authority

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The financial statements report the Authority's net assets and how they have changed. Net assets (the difference between the Authority's assets and liabilities) is one way to measure the Authority's financial health, or position. Over time, increases or decreases in the Authority's fund net assets are an indicator of whether its financial health is improving or deteriorating, respectively. Summarized financial information is as follows:

Net Assets	June 30		Changes in Fund Net Assets	Year Ended June 30	
	2007	2006		2007	2006
	(in thousands)			(in thousands)	
Total assets	\$ 12,674	\$ 10,887	Total revenue	\$ 4,494	\$ 4,173
Total liabilities	10,156	8,731	Total expenses	4,132	3,957
Net assets	\$ 2,518	\$ 2,156	Increase in net assets	\$ 362	\$ 216

In addition to fund net assets, when assessing the overall health of the Authority, the reader needs to consider other nonfinancial factors such as the legal climate in the state, the general state of the financial markets, and the level of risk prevention undertaken by the Authority and its members.

The Authority cannot control the first two factors. However, since its inception, the Authority has been a leader in implementing aggressive risk prevention programs. Outside consultants work with members in developing and implementing training in many areas specific to community colleges.

Condensed Comparative Financial Highlights

- Overall, members' funds on deposit increased by \$1,451,000 (19.5 percent) from \$7,429,000 to \$8,880,000.
- The Stop-loss Fund net assets increased by approximately \$362,000 (16.8 percent) from \$2,156,000 to \$2,518,000.
- Total stop-loss and claims servicing revenues increased by \$271,000 (6.6 percent) from \$4,084,000 to \$4,355,000.
- Stop-loss claim payments, net of reinsurance and stop-loss fund recoveries, decreased by \$66,000 from \$319,000 to \$253,000.
- Outside reinsurance increased by \$203,000 from \$3,172,000 to \$3,375,000.

Michigan Community College Risk Management Authority

Management's Discussion and Analysis (Continued)

- Investment income of \$1,069,000 was earned this year as compared to \$485,000 in the prior year, which was an increase of \$584,000. Of the \$1,069,000 earned this year, \$929,000 and \$140,000 was credited to members' funds on deposit and the Stop-loss Fund, respectively.

Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments comprise the most significant numbers in the asset section of the Authority's statement of net assets.

Accordingly, the Authority uses investment and other consultants to manage their stock and bond portfolios. The consultants must adhere to investment guidelines established by the Authority's board of directors. Investment results are reviewed by the board of directors on a quarterly basis.

Reserves

The Authority, as an entity, carries no risk and therefore has no reserves. The Authority receives an annual letter from an actuary confirming that no reserves are required.

Budgetary Highlights

The budget for the year ended June 30, 2007 was approved by the board of directors, based on stop-loss and members' funds on deposit activity, at their July 2006 meeting. There were no subsequent changes to that budget.

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Revenue	\$ 5,259,547	\$ 5,259,547	\$ -
Expenses:			
Liability reinsurance	1,495,873	1,495,873	-
Property reinsurance	1,804,269	1,803,433	(836)
Auto physical damage reinsurance	10,785	10,785	-
Stop-loss Fund transfer	475,944	475,944	-
State-mandated fees	52,966	54,876	1,910
Operating expenses	<u>499,740</u>	<u>513,732</u>	<u>13,992</u>
Total expenses	<u>4,339,577</u>	<u>4,354,643</u>	<u>15,066</u>
Total available for members' loss funds	<u><u>\$ 919,970</u></u>	<u><u>\$ 904,904</u></u>	<u><u>\$ (15,066)</u></u>

Michigan Community College Risk Management Authority

Management's Discussion and Analysis (Continued)

Capital Assets

The Authority contracts out all of its operational and treasury functions and, consequently, does not own any capital assets.

Economic Factors

- The Authority's revenue base increased by 7.8 percent as a result of an increase in existing members' revenue.
- Reinsurance costs and member exposures are expected to increase moderately for the 2008 fiscal year.

All these factors were considered in preparing member contribution projections for the 2008 fiscal year.

Contacting the Authority's Management

This financial report is designed to provide our members, customers, and the general public with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Authority's office at 14001 Merriman Road, Livonia, Michigan 48154. The telephone number is (734) 513-0300.

Michigan Community College Risk Management Authority

Statement of Net Assets

June 30, 2007

(with comparative amounts at June 30, 2006)

	Member General Fund	Stop-loss Fund	Total June 30	
			2007	2006
Assets				
Cash and cash equivalents (Note 3)	\$ 2,014,833	\$ -	\$ 2,014,833	\$ 1,717,323
Investments (Note 3)	8,072,652	2,518,304	10,590,956	9,004,409
Accrued interest receivable	68,269	-	68,269	79,650
Receivables from reinsurers	-	-	-	76,082
Pending trades	-	-	-	9,439
Total assets	<u>\$10,155,754</u>	<u>\$ 2,518,304</u>	<u>\$ 12,674,058</u>	<u>\$10,886,903</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 961	\$ -	\$ 961	\$ 1,249
Reinsurance premiums payable	-	-	-	17,413
Pending trades	44,990	-	44,990	-
Advance contributions received	1,230,255	-	1,230,255	1,283,743
Members' funds on deposit (Note 4)	8,879,548	-	8,879,548	7,428,520
Total liabilities	10,155,754	-	10,155,754	8,730,925
Net Assets - Restricted	<u>-</u>	<u>2,518,304</u>	<u>2,518,304</u>	<u>2,155,978</u>
Total liabilities and net assets	<u>\$10,155,754</u>	<u>\$ 2,518,304</u>	<u>\$ 12,674,058</u>	<u>\$10,886,903</u>

Michigan Community College Risk Management Authority

Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

(with comparative amounts for year ended June 30, 2006)

	Member General Fund	Stop-loss Fund	Total Year Ended June 30	
			2007	2006
Member Contributions	\$ 3,878,699	\$ 475,944	\$ 4,354,643	\$ 4,084,101
Risk Management, Underwriting, and Other Expenses				
Risk management fees	224,147	-	224,147	217,360
Other professional services	82,016	-	82,016	82,900
Meeting and other expenses	49,074	-	49,074	21,978
Total risk management, underwriting, and other expenses	355,237	-	355,237	322,238
Net Contributions Available for Claims and Related Expenses	3,523,462	475,944	3,999,406	3,761,863
Claims and Related Expenses				
Claims paid - Net of subrogation receipts and reinsurance recoveries	-	253,304	253,304	318,780
Reinsurance expense	3,374,967	-	3,374,967	3,172,358
Claims service fees	148,495	-	148,495	144,007
Total claims and related expenses	3,523,462	253,304	3,776,766	3,635,145
Excess of Revenue Over Expenses - Before investment gain	-	222,640	222,640	126,718
Investment Gain	-	139,686	139,686	89,721
Excess of Revenue Over Expenses	-	362,326	362,326	216,439
Net Assets - Beginning of year	-	2,155,978	2,155,978	1,939,539
Net Assets - End of year	\$ -	\$ 2,518,304	\$ 2,518,304	\$ 2,155,978

Michigan Community College Risk Management Authority

Statement of Cash Flows Year Ended June 30, 2007

(with comparative amounts for year ended June 30, 2006)

			Total	
			Year Ended June 30	
	Member General Fund	Stop-loss Fund	2007	2006
Cash Flows from Operating Activities				
Cash received from members	\$ 4,735,291	\$ 475,944	\$ 5,211,235	\$ 5,064,203
Cash payments for claims - Net of recoveries	(307,012)	(253,304)	(560,316)	(571,438)
Cash payments to suppliers for goods and services	(3,825,206)	-	(3,825,206)	(3,802,891)
Net cash provided by operating activities	603,073	222,640	825,713	689,874
Cash Flows from Investing Activities				
Interest and dividend income	396,472	-	396,472	338,114
Proceeds from sale of investments	3,678,163	556,569	4,234,732	2,857,739
Purchase of investments	(4,380,198)	(779,209)	(5,159,407)	(3,491,896)
Net cash used in investing activities	(305,563)	(222,640)	(528,203)	(296,043)
Net Increase in Cash and Cash Equivalents	297,510	-	297,510	393,831
Cash and Cash Equivalents - Beginning of year	1,717,323	-	1,717,323	1,323,492
Cash and Cash Equivalents - End of year	<u>\$ 2,014,833</u>	<u>-</u>	<u>\$ 2,014,833</u>	<u>\$ 1,717,323</u>
Reconciliation of Excess of Revenue Over Expenses to Net Cash from Operating Activities				
Excess of revenue over expenses	\$ -	\$ 362,326	\$ 362,326	\$ 216,439
Adjustments to reconcile excess of revenue over expenses to net cash from operating activities:				
Interest and dividend income	(396,472)	-	(396,472)	(338,114)
Realized and unrealized gain	(522,186)	(139,686)	(661,872)	(147,679)
Change in assets	96,902	-	96,902	(80,632)
Change in liabilities	(26,199)	-	(26,199)	175,914
Increase in members' funds on deposit	1,451,028	-	1,451,028	863,946
Net cash provided by operating activities	<u>\$ 603,073</u>	<u>222,640</u>	<u>\$ 825,713</u>	<u>\$ 689,874</u>

Michigan Community College Risk Management Authority

Notes to Financial Statements June 30, 2007

Note 1 - Nature of Entity

Michigan Community College Risk Management Authority (the "Authority") was established in July 1985 pursuant to laws of the State of Michigan, which authorize community colleges to exercise jointly any power, privilege, or authority that each might exercise separately. The purpose of the Authority is to administer a risk management fund that provides the present members with loss protection for general and auto liability, motor vehicle physical damage, and property (see Note 5).

Note 2 - Significant Accounting Policies

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents - Cash equivalents are defined as highly liquid investments purchased with an original maturity of less than three months. The Authority's cash and cash equivalents include bank deposits and money market funds.

Investments - Investments in U.S. government securities, corporate bonds, and certificates of deposit with an original maturity at time of purchase of one year or less are stated at amortized cost. All other investments are recorded at fair value, based on quoted market prices or management's estimates.

Accounts Receivable - Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is recognized based on a specific assessment of member balances that remain unpaid. The allowance is determined based on management's estimate of the amounts recoverable from each member. Amounts deemed to be uncollectible are written off in the period that determination is made. No such allowance was deemed necessary at June 30, 2007.

Statement of Net Assets Classification - All Authority assets are liquid and no Authority liabilities have maturity dates in excess of one year. Accordingly, no amounts are presented as noncurrent on the Authority's statement of net assets.

Michigan Community College Risk Management Authority

Notes to Financial Statements
June 30, 2007

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting - To observe limitations and restrictions placed on the use of resources available, the accounts are maintained in accordance with principles of fund accounting. The following major proprietary funds are maintained and presented in the accompanying financial statements:

Member General Fund

This fund consists of those economic resources contributed by the members that are expendable for operational items such as risk management, underwriting, reinsurance, and claims service expenses. Members' funds on deposit are available to pay amounts necessary to settle claims incurred and are refundable to members subject to certain limitations and upon approval by the board of directors. Should any member's funds on deposit become insufficient to fund that member's claims, additional contributions would be assessed to that member.

The Authority functions primarily as a claims servicer for members and as a purchasing agent for the acquisition of reinsurance. The Stop-loss Fund provides only a minor amount of risk sharing or pooling of risks among the member colleges (see Stop-loss Fund below). The Authority itself carries no risk; accordingly, no reserve for future claims has been provided in the Member General Fund. The Authority recognizes member contributions as revenue only to the extent of its servicing expenses. All contributions in excess of servicing expenses are allocated to members' funds on deposit.

Stop-loss Fund

The Stop-loss Fund represents earnings accumulated by the Authority for the purpose of funding an internal stop-loss program. Internal stop-loss contributions were initiated in order to reduce the need to purchase reinsurance for aggregate losses paid. Generally, losses exceeding \$15,000 per occurrence or \$45,000 in the aggregate on a year-to-year basis are paid from the Stop-loss Fund. Occurrence and aggregate limits have been established for each member college based on historical loss experience. At any time, if the Stop-loss Fund is insufficient to fund these member losses, the remaining liability shall become the full responsibility of the membership, and the board of directors shall invoice the membership based on each member's contribution to total contributions. The board of directors may declare a dividend to be paid from the Stop-loss Fund in the event that the fund balance is determined to be sufficient to do so.

Michigan Community College Risk Management Authority

**Notes to Financial Statements
June 30, 2007**

Note 2 - Significant Accounting Policies (Continued)

Member Contributions - Member contributions are recognized as revenue in the year to which they apply. These contributions are determined in accordance with the terms of the joint exercise of powers agreement and are adjusted annually for expenses, loss reserve, and exposure changes of the member and payments made in excess of the member's net contribution account. The board of directors may suspend or reduce member contributions in the event that the members' funds on deposit and fund balance are determined to be sufficient to do so. Members may elect to contribute amounts in excess of the contribution as determined above; such amounts are recognized as an increase to members' funds on deposit when received.

Members' Funds on Deposit - A member's proportionate share of funds on deposit is equal to the contributions paid by the member supplemented by investment earnings thereon less operating expenses allocated to the member. Certain expenses (including losses incurred, reinsurance premiums, and manager fees) are allocated according to the actual costs incurred for each member; investment income and other expenses are allocated on a basis determined by the joint exercise of powers agreement.

Withdrawal from Membership - Any member may withdraw from the Authority at the end of any fiscal year by giving at least 60 days' notice in writing of his or her desire to withdraw. A member withdrawing from the Authority while having a positive balance in his or her net contribution account may withdraw such funds less projected allocated claims expenses. Any member withdrawing from the Authority having a negative balance in his or her net contribution account shall repay the Authority such negative balance and claims expense incurred. At the request of the withdrawing member, the Authority shall continue to service any pending claim, and the member shall reimburse the Authority for claims expenses incurred. Reinsurance coverage shall not be afforded a withdrawing member for claims not serviced by the Authority.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Michigan Community College Risk Management Authority

Notes to Financial Statements
June 30, 2007

Note 3 - Deposits and Investments

The Authority is authorized to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; corporate bonds rated investment grade by Moody's Investors Service, Inc. (or Standard & Poor's Corporation); certificates of deposits of institutions which are members of the FDIC; bankers' acceptances of United States banks with rates no less than the two highest ratings which mature not more than 180 days after the date of purchase; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; equity investments that consist of common stock traded on the New York Stock Exchange, American Stock Exchange, Principal Regional Exchanges, or Over-the-Counter Securities Market (NASDAQ); and mutual funds if the stated objectives of the fund are consistent with the investment objectives set forth above.

The Authority's investments are registered in the Authority's name. The Authority has designated one bank for the deposit of its funds.

The overall asset mix of the fund, measured by market value, shall be as follows:

	<u>Maximum</u>	<u>Minimum</u>	<u>Target</u>
Equities	55%	45%	50%
Fixed income	55%	45%	50%

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Authority's deposits for custodial credit risk. At year end, the deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$2,028,526. Of that amount, \$200,000 was covered by federal depository insurance and \$1,828,526 was uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Michigan Community College Risk Management Authority

**Notes to Financial Statements
June 30, 2007**

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity, and bank acceptances, which can only be purchased with a 180-day maturity. The Authority's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and by investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

At June 30, 2007, the Authority had the following investments:

Investment Type (Comerica Defined)	Market Value (Excluding Accruals)	Years
U.S. government agencies and asset backed	\$ 885,100	2
Corporate	4,824,412	5
Foreign corporate	61,637	21
Common and preferred stock	4,819,807	N/A
Total fair value	<u>\$ 10,590,956</u>	
Portfolio weighted average maturity		4

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has an investment policy that prohibits the following investments: short sales, put and call options strategies, margin purchase, commodities (futures), securities of the investment manager or its parent corporation including proprietary funds, direct investment in tangible assets such as real estate, oil and gas, precious metals, private placements, and venture capital financing.

Michigan Community College Risk Management Authority

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

At year end, the credit quality ratings of debt securities, without regard to investment type, are as follows:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 1,302,594
AA	1,049,346
A	3,157,772
BBB	330,275
NR	69,393
N/A	<u>4,681,576</u>
Total	<u>\$ 10,590,956</u>

The rating organization used by the Authority to rate its investments is Standard & Poor's.

Note 4 - Change in Members' Funds on Deposit

During the year ended June 30, 2007, the members' funds on deposit account reflected the following activity:

Members' funds on deposit - July 1, 2006	\$ 7,428,520
Total member contributions	5,259,547
Investment gain	929,218
Transfers to Stop-loss Fund	(475,944)
Claims paid - Net of subrogation and reinsurance recoveries	(383,094)
Treaty reinsurance purchased for members	(3,374,967)
Risk management, underwriting, claims service, and other expenses	<u>(503,732)</u>
Members' funds on deposit - June 30, 2007	<u>\$ 8,879,548</u>

Michigan Community College Risk Management Authority

Notes to Financial Statements June 30, 2007

Note 5 - Reinsurance

The Authority has entered into specific reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the members. Each member is liable for the portion reinsured to the extent that any reinsurer does not meet the obligations for claims assumed under the reinsurance agreements. To minimize the members' exposure to significant losses from reinsurer insolvencies, the Authority evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers.

Reinsurance coverage is provided to members as follows for the 2006-2007 insurance periods:

Line of Coverage	Member Deductible	Authority's Specific Retention	Coverage Limit
Property	\$ 1,000	\$ 100,000	To the limits required
Automobile physical damage:			
Per vehicle	500	10,000	\$ 300,000
Per occurrence	N/A	10,000	650,000
Liability and other	-	100,000	15,000,000

The Authority has paid claims net of reinsurance recoveries and subrogation receipts for the year ended June 30, 2007 as follows:

Claims paid	\$ 668,050
Reinsurance recoveries	<u>(31,652)</u>
Net claims paid	636,398
Paid by Stop-loss Fund	<u>(253,304)</u>
Claims paid by members' funds on deposit	<u>\$ 383,094</u>

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

Michigan Community College Risk Management Authority

**Notes to Financial Statements
June 30, 2007**

Note 6 - Federal Income Taxes

The Authority is a self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. This law allows community colleges to provide joint funding for risk management and self-insurance purposes. In the opinion of management and legal counsel, the Authority is a governmental agency and, as such, no provision for federal income taxes is required.

Other Supplemental Information

Michigan Community College Risk Management Authority

Schedule of Changes in Members' Funds on Deposit - By Member Year Ended June 30, 2007

Member	Risk Management, Underwriting, Reinsurance, Claims Service																	
	Members' Funds on Deposit		Total Member Contributions		Transfer to Stop-loss Fund		Fees, and Other Expenses		Net Claims Paid		Total Contributions Over (Under) Expenses		Contributions and Other Income Over (Under) Expenses		Members' Funds on Deposit			
	July 1, 2006		Contributions		Fund		Expenses		Paid		Expenses		Gain		June 30, 2007			
Alpena	\$	227,141	\$	127,500	\$	(11,436)	\$	(91,652)	\$	-	\$	24,412	\$	26,892	\$	51,304	\$	278,445
Bay de Noc		209,131		128,980		(11,506)		(94,798)		(18,744)		3,932		22,701		26,633		235,764
Delta		254,363		407,104		(33,738)		(261,135)		(13,181)		99,050		45,856		144,906		399,269
Glen Oaks		230,657		76,239		(6,802)		(54,548)		-		14,889		25,548		40,437		271,094
Henry Ford		334,509		328,517		(29,788)		(252,800)		(15,889)		30,040		47,209		77,249		411,758
Kalamazoo		411,243		335,291		(30,287)		(242,253)		(34,982)		27,769		53,423		81,192		492,435
Lake Michigan		167,000		238,923		(21,578)		(179,194)		(16,499)		21,652		26,295		47,947		214,947
Macomb		958,615		698,557		(62,886)		(537,883)		(4,537)		93,251		122,830		216,081		1,174,696
Mid-Michigan		465,172		120,488		(10,786)		(88,745)		(3,798)		17,159		47,725		64,884		530,056
Monroe		384,163		146,960		(13,231)		(108,116)		(3,148)		22,465		43,642		66,107		450,270
Montcalm		300,750		92,217		(8,319)		(61,776)		(600)		21,522		33,708		55,230		355,980
Muskegon		26,105		169,535		(15,219)		(127,936)		(43,540)		(17,160)		8,242		(8,918)		17,187
North Central		281,806		103,519		(9,333)		(73,071)		(15,303)		5,812		32,582		38,394		320,200
Northwestern Michigan		219,071		310,434		(27,847)		(220,430)		(61,379)		778		28,581		29,359		248,430
Oakland		560,615		706,784		(68,954)		(558,219)		(36,213)		43,398		84,878		128,276		688,891
Schoolcraft		333,560		279,589		(24,978)		(192,468)		(45,000)		17,143		36,217		53,360		386,920
Southwestern Michigan		282,581		147,208		(13,215)		(101,385)		(16,216)		16,392		31,637		48,029		330,610
St. Clair		318,780		170,971		(15,375)		(125,358)		(2,079)		28,159		37,591		65,750		384,530
Wayne County		1,113,437		560,081		(50,762)		(428,530)		(45,000)		35,789		148,378		184,167		1,297,604
West Shore		349,821		110,650		(9,904)		(78,402)		(6,986)		15,358		25,283		40,641		390,462
Total		\$ 7,428,520		\$ 5,259,547		\$ (475,944)		\$ (3,878,699)		\$ (383,094)		\$ 521,810		\$ 929,218		\$ 1,451,028		\$ 8,879,548